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C O N F I D E N T I A L SECTION 01 OF 02 KOLKATA 000202

SIPDIS

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TAGS: ENRG PREL EINV PINR CH IN

SUBJECT: KOLKATA-BASED CHINESE CONSUL GENERAL EXPRESSES PERSONAL RESERVATIONS ABOUT INDO-U.S. NUKE DEAL

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CLASSIFIED BY: Henry V. Jardine, Principal Officer, U.S.

Consulate General Calcutta, STATE.

REASON: 1.4 (b), (c), (d)

¶11. (C) Summary: On July 2, ConGen met with Kolkata-based Chinese Consul General Mao Siwei and discussed Chinese perspectives on the Indo-U.S. civil nuclear agreement, Chinese incursions across the border in Sikkim and Arunachal Pradesh and Chinese interest in developing the power sector in India. Mao said that his government would not block the process of approving India's agreements with the International Atomic Energy Agency (IAEA) or the Nuclear Suppliers Group (NSG). However, Mao also offered what he characterized as his "personal view" on the civil nuclear agreement and said that it reflected a U.S. "double standard" and the creation of a significant precedent within the international non-proliferation system. Mao said that the U.S. had worked through the Nuclear Non-Proliferation Treaty (NPT) to create the existing non-proliferation framework with five recognized nuclear powers.

He argued that the Indo-U.S. agreement effectively expands the system to include India, making it the sixth recognized nuclear power. Mao asked rhetorically, "why could not Iran or Pakistan be included and what happens in 5 or 10 years, when China is more powerful and can force its will like the U.S.?" On the border incursions, Mao dismissed them as simply mutual misunderstanding over the exact location of the border and attributed China's infrastructure and road building along the border as important for the comfort of the soldiers and for improving trade in the region. Mao also commented that China and its power companies are very keen to sell coal-fired power stations in India and seemed less concerned by the environmental implications, commenting that if the Indians block the power stations, China will sell them in Africa. End Summary.

¶12. (C) On July 2 ConGen met with Mao at the Bengal Club, following RSO-Delhi guidance on engaging with a critical threat country representatives. Mao had earlier expressed a strong desire to host ConGen at his home for dinner with several other Chinese officers. During the meeting, ConGen asked Mao about his government's views on the Indo-U.S. civil nuclear agreement.

Mao said that his government would not block the process of approving India's agreements with the IAEA or the NSG. However, Mao went on to offer what he characterized as his own "personal views" and expressed irritation with what he considered to be the U.S. "double standard." Mao said that the U.S. being the most powerful country in the world earlier had pushed for the existing international non-proliferation framework through the NPT and the Comprehensive Test Ban Treaty (CTBT), which he noted

that the USG hypocritically had not signed. That system created five acknowledged nuclear powers. Now, he said, the USG wants in effect to expand that list to include India. He asked, "why India, why not Pakistan or Iran?" He added the USG can do this now because it is still strong, "but what happens in 5 to 10 years when China grows stronger?" China might also want to also make exceptions for other countries. Since the precedent is set, China should be able to bring its friends into the nuclear club.

¶13. (C) Mao did not characterize the civil-nuclear agreement as part of a broader strategic initiative. He avoided directly expressing his personal or official perspectives on Indo-U.S. strategic cooperation, only saying that "some in China" and even some observers in the U.S. see the civil nuclear agreement as part of a strategic effort to build-up India as a counter-weight to the China.

¶14. (C) ConGen asked Mao about the recent disputes over the Chinese military entering Sikkim's northern "Finger Area" and whether the number of disputed "incursions" by Chinese units into Sikkim and Arunachal Pradesh had increased over the past year (Note: Local Indian security officials have told CoQn that they believe the border incursions have increased notably in frequency and unit size over the last year. End Note.) Mao responded that he did not know about the details of possible incursions into Sikkim. However, he commented that the border is still in dispute and so the Chinese believe that misunderstandings do arise. When asked about reported road construction and infrastructure improvements on the China side of the border, Mao said that improvements were happening to enhance the quality of life for Chinese troops posted there and to facilitate trade and commerce in the region.

¶15. (C) ConGen inquired as to what was Mao and China's commercial focus in Eastern India. Mao said that China has very

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interested in exporting coal-fired power stations. He noted that eastern India has much of the country's coal and that China had many power companies that have fully exploited China's domestic market and were seeking new markets abroad. India represented a perfect opportunity as it had a great demand for power and the coals resources at hand. Although, he recognized India's coal was of poor quality and high ash content. He again dismissed the civil nuclear agreement, commenting that nuclear power would not meet India's energy needs. Mao said that in December 2006 President Hu Jintao had signed an agreement with Prime Minister Manmohan Singh to provide 16,000 MW out of 79,000 MW proposed in the 11th Five Year Plan, or 22 percent of India's planned power generation. In August 2004, Dongfang Electricals won two contracts in West Bengal valued at USD 520 million for one 300 MW unit at Durgapur Projects Limited (DPL), Durgapur, which was commissioned this past June, and two 300 MW units in Sagardighi, also soon to be commissioned.

¶16. (SBU) Separately, on July 6 when Union Power Minister Jayram Ramesh visited the under-construction 1,000 MW Damodar Valley Corporation (DVC) plant site near Durgapur, Ramesh complained that West Bengal and other states were allowing Chinese companies like Dongfang Electricals and Shanghai Electricals to construct power units in India in violation of Central Electricity Authority (CEA) regulations. According to Ramesh, the Chinese plants would not be able to use Indian coal due to its high ash content of 40 to 45 percent, but would import coal with 18 to 22 percent ash. Ramesh claimed that the GOWB had tweaked the bidding process to favor the Chinese by proposing 300 MW power stations and so CEA and Indian manufacturers like Bharat Heavy Electricals Limited (BHEL) were unable to bid, as they produce stations at other capacities from 210 to 800 MWs but not at 300 MWs.

¶17. (C) Congen questioned Mao as to whether, given the growing concerns about global warming, it was helpful for China to be developing coal power stations in India and asked if the stations would use any technology to control emissions. Mao did

not respond to the environmental implications. He commented that Chinese companies had experience with constructing coal power stations but that China's domestic market was becoming saturated. He added that if the Indians closed their country to the Chinese power companies that they will look to markets in Africa, and specifically mentioned South Africa.

18. (C) Bio Note: Mao Shwie has had extensive experience in South Asia with previous assignments in Pakistan and in New Delhi. Mao is in his early 50's speaks English well and is present with his wife. He started his assignment and opened the new Chinese Consulate in Kolkata in August 2007. He has been very assertive in his meetings with local contacts in Kolkata. According, to the Finnish Honorary Consul and local businessman Satish Kapoor, Mao asked to funnel funds through Kapoor's personal account to purchase second-hand Japanese cars for his consulate's motorpool, claiming that the consulate had not yet established a local bank account. According Bangladesh Deputy High Commissioner Mohammad Imran, when Imran had invited Mao for a small dinner at the Deputy High, Mao requested additional invites for other members of his staff. When the Chinese arrived at the Deputy High Commission, the other officers split off and conducted a surveillance of the Deputy High Commission compound and specifically searched for the communication equipment

19. (C) Comment: Mao confirmed China's official position that it would not block India's efforts to gain International Atomic Energy Agency (IAEA) or the Nuclear Suppliers Group (NSG). However, his "personal view" may be shared by other Chinese officials and may portend longer-term implications of the nuclear initiative. His belief that the USG used its power and authority to create the existing non-proliferation system and now seeks to make a unique exception is shared and expressed by others, even in the United States. Mao was explicit in conveying his belief that just as a powerful USG defines the international context today, a strong China intends to do so in the future, including possibly on nuclear issues. A reflection of China's present commercial rise and international impact is in the narrow context of its desire to export coal power plants to India or Africa. Its aggressive efforts to export dirty power technologies to emerging markets at a time when the global community is starting to confront the problem of greenhouse gasses will only undermine international efforts at combating global warming.

JARDINE